HOUSING MARKET OUTLOOK

Ottawa

Canada Mortgage and Housing Corporation
www.cmhc.ca

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Resale Market

A Return to Balanced Market Conditions

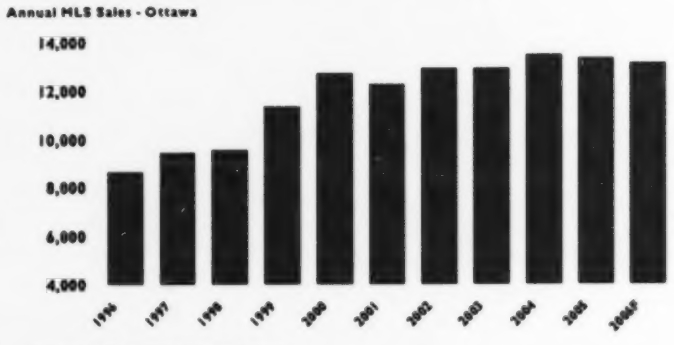
A pick up in job growth and healthy consumer confidence will keep Ottawa housing demand strong. Ottawa home resales will remain robust this year, but will edge lower by 1.5 per cent to reach 13,100 units. With the average selling price expected to surpass the $250,000 mark and with mortgage rates on a slight upward course, the higher mortgage carrying costs will curb the enthusiasm of home buyers somewhat. The increases in mortgage rates announced during the last few quarters prompted some buyers to move up their home purchase decisions, which will slightly reduce the number of resales over the remainder of the year.

The supply of listings has been rising and will continue to trend higher through 2006. The year 2005 ended with over 25,000 new home listings, which is an all-time high. Rising homeowner equity and more buyers in second round home buying ages (45 – 64 years of age) will support a continued increase in resale home listings. The higher listings supply will move the resale home market firmly into a balanced market. Home buyers will be in a better position to negotiate prices.

IN THIS ISSUE

1 **Resale Market**
A Return to Balanced Market Conditions
2 **New Home Market**
Construction Slows
3 **Economic Overview**
Employment Reaches New High
4 **Forecast Summary**
Ottawa in 2006-07

Strong Sales Despite Pullback



Source: CREA, Ottawa Real Estate Board
(F) Forecast by CMHC

Ottawa's sales-to-new listing ratio, a leading indicator of future price growth, will continue trending lower. Last year, the seasonally adjusted sales-to-new listings ratio moved down to 54 per cent, close to the top of a balanced market range, usually denoted by a sales-to-new listing ratio between 35 per cent and 55 per cent. This new reality will help moderate the rate of home price appreciation.

CMHC forecasts that average MLS® price growth will slow to 3.8 per cent and reach $257,500 in 2006. More balanced market conditions will move Ottawa price growth close to the general rate of inflation.

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Canada

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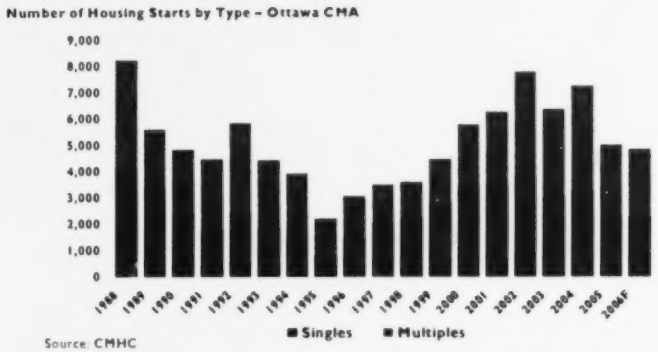
A Balanced Market Will Temper Prices

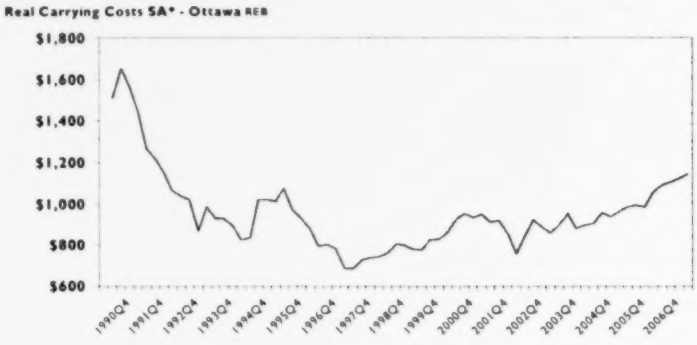
Source: CREA, Ottawa Real Estate Board
(F) Forecast by CMHC

Respectable Home Construction Levels



Source: CMHC
(F) Forecast by CMHC

Cost of Home Ownership Will Edge Up



* Using average MLS price, 10% down, 25 amort., and 5 year mortgage rate.
Deflated by Consumer Price Index (1992 = 100)
Source: CREA, Statistics Canada, Bank of Canada, calculations by CMHC

New Home Market

Construction Slows

A more balanced resale market, rising new homes prices and rising unsold inventories suggests a slower pace of new home construction in 2006. Ottawa home starts will decline by 2.6 per cent. Given the warmer than usual winter, first quarter home starts increased and registered a gain of 20 per cent compared to the same period last year. Despite the strong first quarter result, home starts will moderate throughout the course of 2006.

The higher priced single-detached home types will be less appealing in a rising interest rate environment. Similarly, from a demographic perspective, a population comprised of a growing number of single parents and married couples with no children will mean that demand for more spacious properties will weaken.

Higher density construction, on the other hand, will benefit from rising homes prices. Rising land prices are making larger single-detached homes more expensive. More households will substitute out of single-detached homes into less expensive townhome and apartment home types. Townhomes have remained popular in recent years and will continue to gain appeal among potential home buyers. Dwellings of this type have won over many buyers, as they offer a good compromise between single-detached homes and apartments, being less expensive than the former but more spacious than the latter.

The new apartment segment will post another good performance this year. Most of the apartments started will once again be condominiums, but the proportion of rental housing units is expected to rise due to an increase in immigration. Immigrants, upon immediate arrival, are more likely to move into rental accommodation rather than to buy a home.

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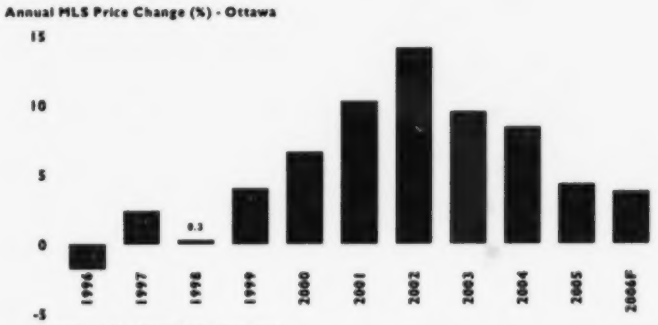
A Balanced Market Will Temper Prices



Source: CREA, Ottawa Real Estate Board
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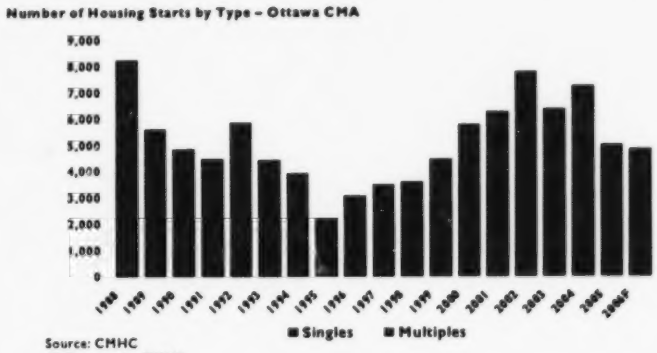
Respectable Home Construction Levels



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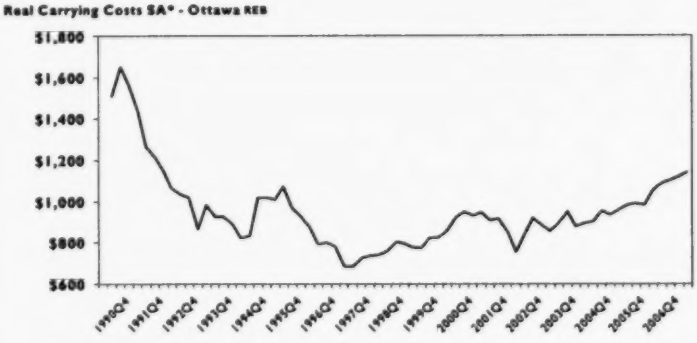

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Economic Overview

Employment Reaches a New High

Flat employment levels in 2005 have been followed by an employment spurt in early 2006. Ottawa's employment level reached an all-time high during the first quarter. Ottawa will register employment growth of 2.5 per cent in 2006.

Recent budget announcements, highlighting increasing government spending, suggest that federal public service employment will grow. However, job creation in this sector, although positive, will be weaker than at the beginning of the decade.

A pick up in non-residential investment this year and next bodes well for job creation in the construction sector. A major $700 million project will get under way this year for the extension of the north-south line of Ottawa's light rail service, the O-Train. This will be one of the largest construction projects that the area will have seen in recent years. Similarly, activity will also be vigorous on other non-residential job sites. Three office buildings are currently under construction, providing jobs to many construction workers. Furthermore, the projected expansion of the Rideau Centre should become a reality and accommodate some thirty new stores and boutiques. Lastly, several expansion projects are under way or about to start in a few hospitals.

The technology sector will continue to shine in 2006. There's evidence that Information Technology spending is growing globally. Investments remain significant, stimulated more than ever by international competition and the need to boost productivity.

Net Migration Remains Positive

According to the latest data for the National Capital Region, net migration remains positive. CMHC is forecasting a net migration of 1,200 in 2006.

Different migration components (international, interprovincial and intraprovincial) have not all evolved in the same manner. The area shows a positive net migration only for the international migration component. Increasing international travel and fewer geopolitical risks have boosted immigration in recent months. This trend will continue to maintain population growth most in the Ottawa area.

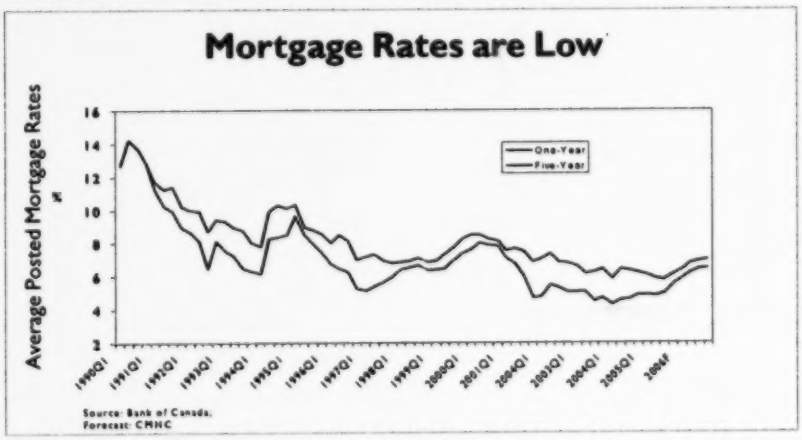
Meanwhile, a different story is developing for interprovincial migration as Ottawa is losing migrants to other provinces in Canada. Rising energy prices have translated into a job boom in the west, which suggests that Ottawa will continue to loose migrants to the west. The situation differs depending on the side of the Ottawa River. While the Ottawa side has a negative net interprovincial migration, it is just the opposite in Gatineau, where interprovincial migration keeps rising year after year.

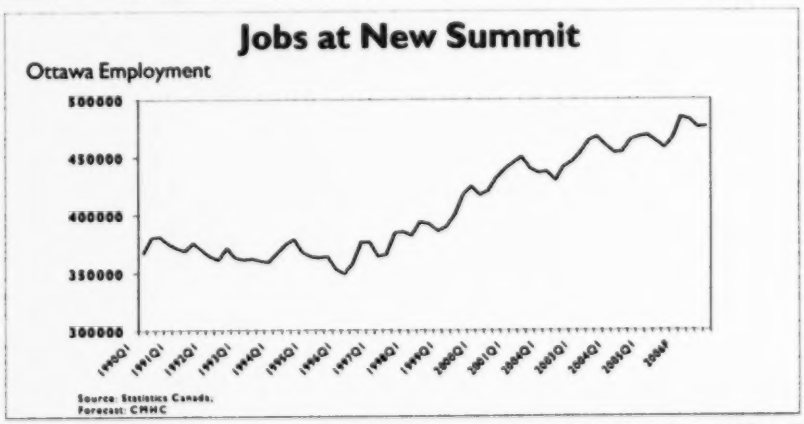
Home prices are the magnet. In fact, a comparison between the average home prices in Gatineau and Ottawa reveals a difference of about $90,000. For many households, this price gap is considerable and wins out over the income tax advantages available in Ontario.

Mortgage Rates Will Rise in 2006

Moderate inflation and a strong Canadian dollar vis-a-vis the U.S. dollar will help restrain the size and speed of Canadian interest and mortgage rate increases in 2006.

While still low by historical norms, mortgage rates are expected to rise gradually by 50-75 basis points in 2006. One, three and five-year posted mortgage rates are forecast to be in the 5.75-6.75, 6.00-6.75, and 6.25-7.25 per cent ranges respectively in 2006.





FORECAST SUMMARY

Ottawa CMA Spring 2006

	2004	2005	2006F	% chg
RESALE MARKET				
MLS Sales	13,457	13,300	13,100	-1.5
MLS Average Price, all units	$238,152	$248,358	$257,500	3.8
MLS Average Price, Freehold Res.	$251,459	$259,817	$269,500	3.9
MLS Average Price, Condo	$174,083	$179,260	$184,800	3.2
Sales to New Listings Ratio	0.58	0.54	0.52	-
HOUSING STARTS				
Total	7,243	4,982	4,850	-2.6
Single-detached dwellings	3,245	2,350	2,250	-4.3
Semi-detached dwellings	348	300	280	-6.7
Row dwellings	2,450	1,578	1,570	-0.5
Apartment Dwellings - Total	1,200	754	750	-0.5
Apartments - Condo	*1049*	*634*	*600*	-5.4
Apartments - Rental	*146*	*59*	*125*	111.9
Others	*5*	*61*	*25*	-59.0
Average price, Single detached	$335,251	$357,549	$384,500	7.5
RENTAL MARKET				
Vacancy Rate (October)*	3.9	3.3	3	-
Average Rent (2-bedroom)	$940	$920	$940	2.2
ECONOMIC OVERVIEW				
Employed	459,300	463,960	475,500	2.5
Employment Growth	-1,000	4,210	11,540	-
Net Migration	1,400	1,200	1,200	0.0

Sources: Ottawa Real Estate Board; Statistics Canada, Canada Mortgage and Housing Corporation

The Ottawa Real Estate Board is an industry association with sales representatives and brokers in the Ottawa area.
The OREB website is www.ottawarealestate.org
M.L.S. (Multiple Listings Service) is a registred certification mark owned by the Canadian Real Estate Association.

** Private rental apartments with three or more units*
F=CMHC Forecast

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